

**PROVINCE OF SASKATCHEWAN**



**2008**

**ANNUAL REPORT**

**EXTENDED HEALTH CARE PLAN  
FOR CERTAIN OTHER EMPLOYEES**



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## Letters of Transmittal



His Honour, The Honourable Dr. Gordon L. Barnhart  
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the twelfth Annual Report of the Extended Health Care Plan For Certain Other Employees for the year ending December 31, 2008.

A handwritten signature in black ink, appearing to read "Rod Gantefoer".

Rod Gantefoer  
Minister of Finance

The Honourable Rod Gantefoer  
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the twelfth Annual Report of the Extended Health Care Plan For Certain Other Employees for the year ending December 31, 2008.

A handwritten signature in black ink, appearing to read "Brian Smith".

Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency

# **Extended Health Care Plan for Certain Other Employees**

## **Introduction**

The Extended Health Care Plan For Certain Other Employees was established on January 1, 1997.

The Fund is used to account for the transactions of the Extended Health Care Plan For Certain Other Employees which provides health care benefits to certain out-of-scope employees.

As at December 31, 2008, participation in the Plan has been approved by the Lieutenant Governor in Council for out-of-scope employees of the Government of Saskatchewan as defined under *The Public Service Act*.

## **Advisory Committee Members**

Brian Smith  
Saskatchewan Finance (PEBA)

Don Zerr  
Public Service Commission

Kevin Wilson  
Saskatchewan Health

Will Loewen  
Public Service Commission

## **Participating Employers**

The following employers participate in The Extended Health Care Plan for Certain Other Employees:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)  
Chief Electoral Officer (Office of the)  
Children's Advocate (Office of the)  
Farm Land Security Board  
Horned Cattle Fund  
Information and Privacy Commissioner (Office of the)  
Milk Control Board  
Ombudsman (Office of the)

Saskatchewan Archives Board  
Saskatchewan Municipal Board

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act*, 1998

## **Administration**

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act*, 1993 for the purpose of providing benefits under the Plan. An Advisory Committee is responsible for the management and investment of the Fund. The Advisory Committee consists of 4 representatives as nominated by the Saskatchewan Public Service Commission and appointed by Minister's Order.

The Plan pays premiums to Group Medical Services who provide insured extended health coverage. The Plan's risk is limited to the payment of premiums.

## **Funding**

Funding for members covered is employer paid as follows:

- effective January 1, 1997 – 1.0% of straight time annual payroll;
- effective July 1, 2002 – 1.25% of straight time annual payroll;
- effective July 1, 2003 – 1.35% of straight time annual payroll.
- effective July 1, 2006 – 1.55% of straight time annual payroll

## **Benefits**

An employee is eligible for benefits at the start of the pay period immediately following a 6 month period of employment.

Claims are paid on behalf of all family members and covers certain health and vision care benefits.

## **Management's Report**

To the Members of the Legislative Assembly of Saskatchewan

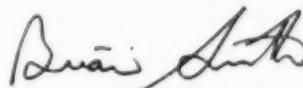
As members of management of the Extended Health Care Plan For Certain Other Employees, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan For Certain Other Employees has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

A Board of Trustees, as nominated by the Public Service Commission and appointed by Minister's Order, has been established and is responsible for reviewing the ongoing operations of the Plan.

We enclose the financial statements of the Extended Health Care Plan For Certain Other Employees for the year ended December 31, 2008 and the Provincial Auditor's report on these financial statements.



Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency



Perry Bahr  
Director, Benefit Programs  
Public Employees Benefits Agency



Kathy Deck  
Director, Financial Services  
Public Employees Benefits Agency

Regina, Saskatchewan  
February 18, 2009

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## **Extended Health Care Plan For Certain Other Employees**

### **Financial Statements**

**Year Ended December 31, 2008**

## Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Extended Health Care Plan For Certain Other Employees as at December 31, 2008 and the statements of operations and net assets, and cash flows for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Fred Wendel, CMA, CA  
Provincial Auditor

Regina, Saskatchewan  
February 18, 2009

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**Extended Health Care Plan For Certain Other Employees**  
**Statement of Financial Position**

**Statement 1**

**As At December 31**

	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
Due from General Revenue Fund (Note 3)	\$ 319,388	\$ 239,636
Short-term Investments (Note 4)	1,712,160	1,577,020
Employer contributions receivable	220,021	209,591
Prepaid expenses	-	1,152
	<hr/>	<hr/>
	2,251,569	2,027,399
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 7)	4,604	1,008
Advance from General Revenue Fund (Note 5)	-	65,000
	<hr/>	<hr/>
	4,604	66,008
Net assets (Statement 2)	<hr/> <u>\$ 2,246,965</u>	<hr/> <u>\$ 1,961,391</u>

(See accompanying notes to the financial statements)

**Extended Health Care Plan For Certain Other Employees  
Statement of Operations and Net Assets**

**Statement 2**

**For The Year Ended December 31**

	<b>2008</b>		<b>2007</b>
	<b>Budget</b> (Note 8)	<b>Actual</b>	<b>Actual</b>
<b>REVENUES</b>			
Employer contributions (Note 1)	\$ 2,515,000	\$2,556,705	\$ 2,420,126
Interest income (Notes 3 & 4)	80,600	58,465	64,057
	<u>2,595,600</u>	<u>2,615,170</u>	<u>2,484,183</u>
<b>EXPENSES</b>			
Insurance premiums	2,320,000	2,310,037	2,021,061
Administration (Note 7)	30,495	19,559	18,664
	<u>2,350,495</u>	<u>2,329,596</u>	<u>2,039,725</u>
Surplus for the year	245,105	285,574	444,458
NET ASSETS, BEGINNING OF YEAR	<u>1,961,391</u>	<u>1,961,391</u>	<u>1,516,933</u>
NET ASSETS, END OF YEAR (Statement 1)	<u>\$ 2,206,496</u>	<u>\$ 2,246,965</u>	<u>\$ 1,961,391</u>

(See accompanying notes to the financial statements)

**Extended Health Care Plan For Certain Other Employees  
Statement of Cash Flows**

**Statement 3**

For The Year Ended December 31

	<b>2008</b>	<b>2007</b>
<b>Cash flows from (used in) operating activities:</b>		
Employer contributions received	\$ 2,546,275	\$ 2,378,709
Interest income received	59,455	61,005
Insurance premiums paid	(2,307,173)	(2,023,276)
Advance repaid	(65,000)	
Administration expenses paid	(17,675)	(17,481)
<b>Cash flows from operating activities</b>	<b>215,882</b>	<b>398,957</b>
<b>Cash flows from (used in) investing activities:</b>		
Purchase of investments	(6,685,242)	(5,406,620)
Proceeds from disposal of investments	6,549,112	4,707,800
<b>Cash flows used in investing activities</b>	<b>(136,130)</b>	<b>(698,820)</b>
Net increase (decrease) in Due From General Revenue Fund	79,752	(299,863)
<b>DUE FROM GENERAL REVENUE FUND, BEGINNING OF YEAR</b>	<b>239,636</b>	<b>539,499</b>
<b>DUE FROM GENERAL REVENUE FUND, END OF YEAR</b>	<b>\$ 319,388</b>	<b>\$ 239,636</b>

(See accompanying notes to the financial statements)

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## **Extended Health Care Plan For Certain Other Employees**

### **Notes to the Financial Statements**

December 31, 2008

#### **1. Description of the Plan**

The Extended Health Care Plan For Certain Other Employees (Plan) was established on January 1, 1997 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to certain out-of-scope employees of the Government's ministries and other agencies.

The Plan is funded by employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The Minister of Finance approved the contribution rate of 1.55% of regular payroll.

The Government, through the Minister of Finance, entered into an agreement with an insurance company to provide eligible employees with extended health coverage. The Plan's risk is limited to the payment of premiums to the insurance company.

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Advisory Committee. The Advisory Committee is made up of employers' representatives appointed by Minister's Order.

#### **2. Significant Accounting Policies**

Pursuant to standards established by the Public Sector Accounting Board, the Plan is classified as an other government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable to for-profit entities. The following accounting policies are considered significant.

##### **a) Change in Accounting Policies**

Effective January 1, 2008, three new presentation and disclosure standards were adopted: Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, *Capital Disclosures* (Section 1535); Handbook Section 3862, *Financial Instruments - Disclosures* (Section 3862); and Handbook Section 3863, *Financial Instruments - Presentation* (Section 3863).

Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. As this standard only addressed disclosure requirements, there is no change in net assets.

Section 3862 and 3863 replaced Handbook section 3861, *Financial Instruments - Disclosure and Presentation*. The new disclosure standards increase the disclosures related to financial instruments and the nature, extent and management of the Plan's risks arising from financial instruments. The presentation standards carry forward unchanged from the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Plan's net assets.

b) Employer Contributions

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

c) Interest Revenue

Interest is recognized as income when earned.

d) Advance from General Revenue Fund

The advance was repayable on demand and was repaid during 2008.

e) Financial Instruments

Held for trading financial assets and liabilities are measured at fair value. Changes in the fair value are recognized in the Statement of Operations and Net Assets. For due from General Revenue Fund and short-term investments, fair value is determined as cost plus accrued income, which approximates market value. Loans and receivables and other financial liabilities are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

f) Future Accounting Policy Changes

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has issued an exposure draft proposing to adopt International Financial Reporting Standards (IFRS) effective January 1, 2011. At that time, the Plan will effectively cease to use Canadian GAAP and will adopt IFRS. The Plan is monitoring the transition to IFRS and is assessing the impact that the adoption of IFRS will have on its financial statements.

**3. Due from General Revenue Fund**

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2008 was 2.57% (2007 – 4.26%).

**4. Short-Term Investments**

Short-term investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 1.5% to 3.2% (2007 - 3.9% to 4.8%) and an average remaining term to maturity of 36 days (2007 – 49 days). Investments are purchased through the Treasury and Debt Management Branch of the Ministry of Finance and are subject to the Ministry's investment guidelines. The guidelines require that investments must meet a minimum investment standard of "R-1" rating, as rated by a recognized credit rating service.

**5. Advance from General Revenue Fund**

The General Revenue Fund advanced the Plan monies when the Plan began operations. The advance was repaid during 2008. The advance was interest-free with no fixed maturity date and was repayable on demand.

## **6. Financial Risk Management**

The nature of the Plan's operations result in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk) and liquidity risk.

### Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from the following distinct sources:

	<b>2008</b>	<b>2007</b>
Due from General Revenue Fund	\$ 319,388	\$ 239,636
Short-term investments	1,712,160	1,577,020
Employer contributions receivable	220,021	209,591

The maximum credit risk to which the Plan is exposed is limited to the carrying value of the financial assets summarized above.

The credit risk for short-term investments is managed through a policy that requires investments to meet minimum investment standards as determined by a recognized credit rating agency.

The Plan is exposed to minimal credit risk from the potential non-payment of employer contributions as these are receivables from government agencies and were collected shortly after year end.

### Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Values can be affected by changes in interest rates. The Plan is exposed to changes in interest rates on its short-term investments.

### Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. The Plan manages this risk by investing in financial assets with a very short-term to maturity.

## **7. Related Party Transactions**

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and employer contributions receivable are from related parties. Also, PEBA charged the Plan \$19,559 (2007 - \$18,664) for administration expenses. Included in accounts payable and accrued liabilities is \$2,892 (2007 - \$1,008) due to PEBA.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

## **8. Budget**

PEBA prepares the budget for approval by the Advisory Committee.



